

## Message Text

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ACTION IO-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 COME-00 DODE-00 DOTE-00

EB-07 FMC-01 INR-07 NSAE-00 CG-00 OFA-01 DLOS-03

OIC-02 /044 W

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R 191537Z MAR 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9430

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E.O. 11652: N/A

TAGS: PORG, IMCO

SUBJ: IMCO HEADQUARTERS FACILITIES

REF: STATE 58388; LONDON 1722

1. IN DISCUSSION WITH IMCO SECGEN SRIVASTAVA MARCH 17 BEFORE RECEIPT OF REFTEL, IN WHICH HE SOUGHT OUR VIEWS AND ADVICE, HE GAVE US HIS "CONFIDENTIAL" VIEWS ON STATUS UK/IMCO NEGOTIATIONS HE HAS BEEN CONDUCTING WITH DEPT. OF TRADE ON TERMS OF LOAN (LONDON 1722) AND HIS CONCERN AND MISGIVINGS ABOUT OBTAINING ACCEPTABLE PROPOSAL FROM UK GOVERNMENT.

2. SRIVASTAVA SAID SINCE LAST WORKING GROUP MEETING HE HAS HAD SEVERAL SESSIONS WITH JOHN STEELE AND MCQUEEN ABOUT TERMS OF LOAN OFFERED. BEST UK OFFER TO DATE HAS BEEN LOAN FOR 80 PERCENT OF NEW HEADQUARTERS COST; LOAN TO RUN 15 YEARS AT 10 PERCENT INTEREST. SUCH TERMS, SRIVASTAVA SAID, HE FOUND UNACCEPTABLE AND NOT WORTHY OF EVEN BEING CONSIDERED BY WORKING GROUP OR COUNCIL. DUE TO STALEMATE IN DISCUSSIONS OF UK SUPPORT FOR NEW HQ, WG MEETING EXPECTED EARLY MARCH HAS NOT BEEN CALLED TO ALLOW TIME TO NEGOTIATE FURTHER WITH UK. UNLESS BETTER OFFER MADE BY UK, SECGEN SAID HE WILL REPORT TO WG AT MEETING HE EXPECTS TO CALL IN NEXT WEEK OR TEN DAYS

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THAT NO AGREEMENT WAS REACHED ON ACCEPTABLE TERMS RATHER

THAN REPORTING PRESENT OFFER.

3. SRIVASTAVA SUGGESTED TERMS HE WOULD THINK MORE ACCEPTABLE WOULD INCLUDE FULL LOAN FOR THE COST; TERM OF AT LEAST 25 YEARS; INTEREST RATE AT ABOUT ONE-HALF CURRENT MARKET RATE (PERHAPS 6 PERCENT); MORATORIUM ON PAYMENTS FOR FIRST SEVERAL YEARS AND PERHAPS NO INTEREST ON PORTION (ABOUT ONE HALF) OF LOAN COVERING COST OF SITE. IN SUGGESTING THIS, HOWEVER, HE POINTED OUT UK NEGOTIATORS INSIST NO IMPROVEMENT IN TERMS NOTED PARA 2 ABOVE POSSIBLE DUE STIFF UK TREASURY OPPOSITION AT THIS TIME OF ECONOMIC DIFFICULTIES. WE MADE POINT TO SECGEN THAT US AND, WE WOULD EXPECT, OTHER LARGER CONTRIBUTORS TO IMCO BUDGET WHILE PERHAPS WILLING TO PAY SOME PREMIUM TO HAVE IMCO REMAIN IN LONDON, WOULD NOT LIKELY BE WILLING TO ACCEPT 100 PERCENT OR MORE INCREASE IN ANNUAL CONTRIBUTIONS WHICH PRESENT UK OFFER WOULD ENTAIL. (THE JAPANESE HAVE TOLD US INFORMALLY THEY WOULD EXPECT THIS WOULD BE THEIR GOVERNMENT'S VIEW.) IN ADDITION, MOST MAJOR CONTRIBUTORS TO IMCO'S SUPPORT ARE NOT REPRESENTED ON WORKING GROUP AND MAY BE EXPECTED TO TAKE A HARD LINE ON GREATLY INCREASED COSTS IF PROPOSAL ALONG PRESENT UK LINES WERE PRESENTED TO COUNCIL.

4. SRIVASTAVA CLEARLY DEEPLY CONCERNED THAT PRESENT UK OFFER, WHICH HE FEELS WOULD BE LAUGHED AT BY COUNCIL IF PRESENTED, COULD PRODUCE FIRM OFFER OF OTHER SITE FROM OTHER MEMBER GOVERNMENTS OUTSIDE UK WHICH, ONCE IT WAS TABLED, WOULD BE DIFFICULT TO REFUSE EVEN IF UK THEN WAS DISPOSED TO MAKE COUNTER OFFER.

5. WE GAVE SRIVASTAVA OUR VIEW TO WHICH HE AGREED, THAT

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TO SECSTATE WASHDC 9431

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WHAT IS NEEDED FROM UK TO KEEP IMCO IN LONDON IS CLEAR GESTURE ON PART OF UK GOVERNMENT, SUCH AS OFFER OF FREE LAND, TO PROVIDE BASIS FOR THOSE WHO WISH ORGANIZATION TO REMAIN IN LONDON TO SUPPORT UK OFFER EVEN THOUGH IT MIGHT STILL BE SOMEWHAT MORE EXPENSIVE TO MEMBERS THAN NEW SITE IN OTHER MEMBER'S TERRITORY. IN THIS REGARD, SRIVASTAVA WONDERED IF IT WOULD NOT BE PREFERABLE TO LOAN ARRANGEMENT FOR UK TO CONSTRUCT NEW BUILDING ON ITS OWN AND THEN LEASE TO THE ORGANIZATION ON PRESENT 80/20 SPLIT FOR RENT BETWEEN UK AND IMCO. IN RESPONSE WE SAID WHILE MEMBERS COSTS WOULD INCREASE SIGNIFICANTLY UNDER SUCH AN ARRANGEMENT, IT MIGHT BE MORE ACCEPTABLE TO MEMBERS THAN UNSATISFACTORY LOAN SINCE HQ AGREEMENT TERMS WOULD AT LEAST BE AS GOOD AS AT PRESENT.

6. COMMENT: IN VIEW OF SRIVASTAVA'S REMARKS AND PRESENT UNRESOLVED STATE OF HIS NEGOTIATIONS WITH UK, ANSWERS TO SEVERAL OF QUESTIONS REQUESTED STATE 58388 CANNOT YET BE GIVEN. SEC GEN CONTINUES TO BELIEVE UK FINALLY WILL NOT WISH TO LET IMCO LEAVE LONDON BUT HE NOT ABLE TO SEE AT THIS TIME HOW UK CAN BE CONVINCED OFFER MUST BE IMPROVED. ALL ARGUMENTS IN FAVOR OF MORE FORTHCOMING ATTITUDE ON PART OF UK (BALANCE OF PAYMENTS ADVANTAGES TO UK ECONOMY FROM IMCO LOCATION HERE, PRESTIGE VALUE OF HQS IN UK, ETC.) HAVE SO FAR PROVEN FRUITLESS. EVEN IF,  
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AS MIGHT BE EXPECTED, UK PRESENT INTRANSIGENCE ONLY NEGOTIATING TACTIC, SEC GEN DISTURBED BY (A) DELAY IN DATE ON WHICH AGREEMENT CAN FINALLY BE REACHED DUE TO URGENT IMCO NEED FOR EXPANDED FACILITIES, AND (B) GOOD CHANCE THAT UK TACTICS WILL PLAY INTO HANDS OF THOSE WHO MIGHT WISH TO SEE IMCO MOVED OUT OF LONDON.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** MEMBERSHIP, INTERNATIONAL ORGANIZATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 19 MAR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** KelleyW0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 STATE 58388, 75 LONDON 1722  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** KelleyW0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 20 JUN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <20 JUN 2003 by SmithRJ>; APPROVED <05 NOV 2003 by KelleyW0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** IMCO HEADQUARTERS FACILITIES  
**TAGS:** PORG, IMCO  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006